

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Ken Nickolai
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner

In the Matter of the Request of Northern States
Power Company d/b/a Xcel Energy for
Approval of a Renewable Development Fund
Oversight Process

ISSUE DATE: August 17, 2004

DOCKET NO. E-002/M-00-1583

ORDER DEFERRING DECISION,
ALLOWING TIME TO DEVELOP
ALTERNATIVE USES, AND REQUIRING
CONSULTATION AND REPORT

PROCEDURAL HISTORY

As a condition of storing spent nuclear fuel in dry casks at its Prairie Island nuclear power plant, Northern States Power Company d/b/a Xcel Energy (the Company) must finance a fund to develop renewable energy resources. Minn. Stat. § 116C.779. The Company is entitled to recover the costs of this fund from its customers through an automatic increase to the rates the Company charges for electricity. Minn. Stat. § 216B.1645.

On November 20, 2000, the Company filed a proposal to establish a renewable development fund. The fund's governing board would solicit proposals for developing renewable energy sources and would make recommendations about which proposals to finance; the Commission would have final approval over project selection. In addressing how to finance the fund, the Company proposed using the existing automatic "fuel clause adjustment." See Minnesota Rules, parts 7825.2390 - .2920. The Company asked the Commission to vary its rules to permit the fuel clause adjustment to be used in this manner.

On April 20, 2001, the Commission issued its ORDER ADOPTING PROPOSAL FOR OVERSIGHT AND OPERATION OF RENEWABLE DEVELOPMENT FUND.¹

On December 23, 2002, Commission issued its ORDER VARYING RULES TO PERMIT RECOVERY OF RENEWABLE DEVELOPMENT FUND EXPENDITURES (through the automatic adjustment clause) AND REQUIRING COMPLIANCE FILING, in Docket No. E-002/M-00-1583. Xcel was ordered to record and report on the status of its renewable development fund (RDF) as part of the Company's report of automatic adjustments filed each September 1.

¹The Commission refined this Order in its ORDER MODIFYING ORDER OF APRIL 20, 2001 (November 27, 2001).

On September 2, 2003, Xcel submitted its 2003 annual automatic adjustment (AAA) report to the Commission. Attachment I to this report contains the Renewable Development Fund (RDF) compliance report including a footnote stating that one of the funded projects, AnAerobics Bid No. AB07, was cancelled.

On March 30, 2004, the Department filed comments in the AAA docket recommending that the Commission not allow Xcel to recover AnAerobics' disbursed grant costs of \$1.07 million.²

On April 7, 2004, the Commission issued a notice stating that the concerns raised by the Department regarding Xcel's disbursement of funds to AnAerobics, under the terms of a grant contract approved on May 13, 2002, in Docket No. E-002/M-00-1583, would be considered by the Commission in Docket No. E-002/M-00-1583 so that the appropriate parties could be notified, and the Commission's decision could be made in the context of the record of the RDF docket.

On April 15, 2004, Xcel filed its first response to the Commission notice and the Department replied on April 30, 2004.

On May 27, 2004, Xcel filed further comments and the RDF Board filed comments supporting Xcel's position.

On July 14, 2004, Xcel filed a status report on the various energy production and development projects that are receiving funding from Xcel Energy's Renewable Development Fund. Xcel stated that this was the first quarterly report that it intended to provide to the Commission and interested parties.

On July 21, 2004, Xcel filed a supplemental response to update the Commission and Department regarding the AnAerobics Renewable Development Project and respond to Department information requests.

On August 4, 2004, Xcel filed a letter requesting that the Commission defer action on this matter to allow Xcel to find applications of the AnAerobics bio-digestion equipment in other settings to ensure that the value of the original Renewable Development Fund (RDF) grant is recouped for ratepayers.

The Commission met on August 5, 2004 to consider this matter.

FINDINGS AND CONCLUSIONS

Xcel has indicated there are real possibilities that it will be able to find alternative applications for the bio-digestion equipment purchased by AnAerobics, thereby recouping for ratepayers the value of the original Renewable Development Fund (RDF) grant. On the basis of the parties' filed and oral comments, therefore, the Commission will defer decision on the issue of disallowance of project costs to a later date to allow Xcel to develop those possibilities.

² See *In the Matter of the Review of the 2003 Annual Automatic Adjustment of Charges for All Gas and Electric Utilities*, Docket No. E,G-999/AA-03-1264.

Absent the prospect of positive developments, however, postponement would not be appropriate. The Commission therefore will direct Xcel to report back in writing regarding the development of replacement projects for the AnAerobics RDF project equipment and to do so within 90 days from August 5, 2004, the date of the hearing on this matter.

During this time period, Xcel will also be required to work with the Department, the Renewable Development Fund (RDF) Board, and the Commission staff to develop recommendations to address concerns raised by the Department and Commission staff, including RDF administration and Board membership, and report back in writing with recommendations on how these concerns might be addressed.

ORDER

1. The Commission will grant Xcel's request and defer decision on the issue of disallowance of project costs to a later date.
2. Within 90 days of the August 5, 2004 hearing on Xcel's request, Xcel shall report back in writing on the development of replacement projects for the AnAerobics RDF project equipment.
3. During the 90-day period described in Order Paragraph 2, Xcel shall also work with the Department, the Renewable Development Fund (RDF) Board, and the Commission staff to develop recommendations that address the concerns raised by the Department and Commission staff, including RDF administration and Board membership.
4. At the end of the 90 day period described in Order Paragraph 2, Xcel shall submit (in conjunction with the filing made pursuant to Order Paragraph 1) recommendations on how these concerns might be addressed.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION


Burl W. Haar
Executive Secretary

(S E A L)

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